

**Town of Richwood  
Richwood, Louisiana  
Annual Financial Report  
As of and for the Year Ended June 30, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3-14-07

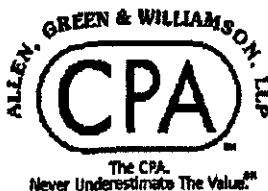
**Town of Richwood  
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## INDEPENDENT AUDITORS' REPORT

Honorable Edward L. Harris, Mayor,  
and Members of the Board of Aldermen  
Town of Richwood  
Richwood, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Richwood as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2007, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis as listed in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying information identified in the table of contents as supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Also, the accompanying other information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements of the Town. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Allen, Green + Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
February 27, 2007

**REQUIRED SUPPLEMENTAL INFORMATION:**

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS (MD&A)**

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**Town of Richwood**  
**Management's Discussion and Analysis (MD&A)**

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Our discussion and analysis of the Town of Richwood's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2006.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999.

**FINANCIAL HIGHLIGHTS** Our financial statements provide these insights into the results of this year's operations:

Governmental activities reported an increase in net assets of \$37,302 whereas business-type activities reported a decrease of \$(33,630).

Total spending for our governmental activities was \$851,939. Most of the Town's property and sales taxes were used to support the net cost (after deducting restricted grants and fees charged to users) of these two areas: general and administrative of \$457,684 and police department of \$322,801.

**USING THIS ANNUAL REPORT**

The Town's annual report consists of a series of financial statements that show information for the Town as a whole, and its funds. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. For our governmental activities, the fund financial statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the Town's overall financial health. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds - the general fund, summer feeding, maintenance, and the Sewer Enterprise Fund.

The following chart reflects the information included in this annual report.

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**Town of Richwood  
Management's Discussion and Analysis (MD&A)**

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**Financial Section**

**Required Supplemental Information**

Management's Discussion & Analysis (MD&A)

**Basic Financial Statements**

**Government-wide  
Financial Statements**



**Fund  
Financial Statements**

**Notes to the Basic Financial Statements**

**Supplemental Information**

Schedule of Compensation Paid Mayor and Aldermen

**Other Reports Required by Government Auditing Standards**

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Summary Schedule of Prior Audit Findings  
Corrective Action Plan for Current Year Findings  
Status of Prior Year Management Letter Items

Our auditor has provided assurance in the independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplemental Information, the Supplemental Information and Other Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.



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**Town of Richwood**  
**Management's Discussion and Analysis (MD&A)**

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**Reporting the Town as a Whole**

***The Statement of Net Assets and the Statement of Activities***

Our analysis of the Town as a whole begins with the government-wide financial statements. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the Town's financial statements, report information about the Town as a whole and its activities in a way that helps answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets – the difference between assets and liabilities, as reported in the Statement of Net Assets – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets – as reported in the Statement of Activities – are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Town's operating results. However, the Town's goal is to provide services to our citizens, not to generate profits as commercial entities do. One must consider other nonfinancial factors, such as the quality of police protection, the conditions of the Town's roads, and the quality of water, sewer and sanitation systems to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

**Governmental Activities** - Most of the Town's basic services are reported here, including the police and general administration, property taxes, franchise fees, licenses and fees, fines and forfeitures, and state and federal grants finance most of these activities.

**Business-type Activities** - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's sewer and sanitation systems are reported here.

**Reporting the Town's Most Significant Funds**

***Fund Financial Statements***

The Town's fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law. However, the Town establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds – governmental and proprietary – use different accounting approaches:

**Governmental funds** – Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We

**Town of Richwood**  
**Management's Discussion and Analysis (MD&A)**

describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliations (Statements D and F).

Proprietary funds - When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's utility enterprise fund (a component of proprietary funds) are the same as business-type activities we report in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**THE TOWN AS A WHOLE**

Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities.

**Table 1**  
**Net Assets**  
**June 30,**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 44,658	\$ 64,313	\$ 18,321	\$ 20,139	\$ 62,979	\$ 84,452
Capital assets	<u>203,239</u>	<u>158,228</u>	<u>748,909</u>	<u>785,648</u>	<u>952,148</u>	<u>943,876</u>
Total assets	<u>247,897</u>	<u>222,541</u>	<u>767,230</u>	<u>805,787</u>	<u>1,015,127</u>	<u>1,028,328</u>
Current and other liabilities	232,592	390,271	526,070	497,858	758,662	888,129
Long-term liabilities	<u>130,000</u>	<u>18,828</u>	<u>194,146</u>	<u>227,285</u>	<u>324,146</u>	<u>246,113</u>
Total liabilities	<u>362,592</u>	<u>409,099</u>	<u>720,216</u>	<u>725,143</u>	<u>1,082,808</u>	<u>1,134,242</u>
Net assets						
Invested in capital assets, net of debt	190,750	139,400	537,665	558,363	728,415	697,763
Unrestricted	<u>(305,445)</u>	<u>(325,958)</u>	<u>(490,651)</u>	<u>(477,719)</u>	<u>(796,096)</u>	<u>(803,677)</u>
Total net assets	<u>\$(114,695)</u>	<u>\$(186,558)</u>	<u>\$ 47,014</u>	<u>\$ 80,644</u>	<u>\$(67,681)</u>	<u>\$(105,914)</u>

The net assets of the Town's governmental activities increased by \$37,302 in 2006. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$(305,445) at the end of this year.

The net assets of our business-type activities decreased \$(33,630) in 2006.

**Town of Richwood**  
**Management's Discussion and Analysis (MD&A)**

**Table 2**  
**Changes in Net Assets**  
**For the Years Ended June 30,**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 0	\$ 0	\$288,631	\$232,295	\$ 288,631	\$ 232,295
Operating grants and contributions	67,260	100,147	0	0	67,260	100,147
General revenues						
Property taxes	50,789	47,737	0	0	50,789	47,737
Sales tax	167,899	162,828	0	0	167,899	162,828
State revenue	225,739	229,909	0	0	225,739	229,909
Beer tax	6,326	8,623	0	0	6,326	8,623
Licenses and permits	40,696	45,881	0	0	40,696	45,881
Garbage & Other Fees	121,583	117,693	0	0	121,583	117,693
Miscellaneous	<u>115,384</u>	<u>107,396</u>	<u>0</u>	<u>0</u>	<u>115,384</u>	<u>107,396</u>
<b>Total Revenues</b>	<u>795,676</u>	<u>820,214</u>	<u>288,631</u>	<u>232,295</u>	<u>1,084,307</u>	<u>1,052,509</u>
<b>Functions/Program Expenses:</b>						
Governmental Activities						
General and administrative	457,684	462,949	0	0	457,684	462,949
Police Department	322,801	299,233	0	0	322,801	299,233
Health & Welfare	57,260	82,126	0	0	57,260	82,126
Interest Expense	14,194	2,449	0	0	14,194	2,449
Business-type Activities						
Utility Enterprise	<u>0</u>	<u>0</u>	<u>228,696</u>	<u>173,141</u>	<u>228,696</u>	<u>173,141</u>
<b>Total Functions/Program Expenses</b>	<u>851,939</u>	<u>846,757</u>	<u>228,696</u>	<u>173,141</u>	<u>1,080,635</u>	<u>1,019,898</u>
<b>Increase (decrease) in net assets before transfers</b>	(56,263)	(26,543)	59,935	59,154	3,672	32,611
<b>Transfers</b>	<u>93,565</u>	<u>79,082</u>	<u>(93,565)</u>	<u>(79,082)</u>	<u>0</u>	<u>0</u>
<b>Increase (decrease) in net assets</b>	37,302	52,539	(33,630)	(19,928)	3,672	32,611
<b>Net assets -- beginning, as originally stated</b>	(186,558)	(169,630)	80,644	100,572	(105,914)	(69,058)
<b>Prior period adjustment</b>	<u>34,561</u>	<u>(69,467)</u>	<u>0</u>	<u>0</u>	<u>34,561</u>	<u>(69,467)</u>
<b>Net assets--beginning as restated</b>	(151,997)	(239,097)	80,644	100,572	(71,353)	(138,525)
<b>Net assets, ending</b>	<u><u>\$ (114,695)</u></u>	<u><u>\$ (186,558)</u></u>	<u><u>\$ 47,014</u></u>	<u><u>\$ 80,644</u></u>	<u><u>\$ (67,681)</u></u>	<u><u>\$ (105,914)</u></u>

**Town of Richwood**  
**Management's Discussion and Analysis (MD&A)**

***Governmental Activities***

The cost of all governmental activities this year was \$851,939. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through town taxes was only \$784,679 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. Transfers from the Sewer Enterprise Fund of \$93,565 accounted for a significant part of the remaining revenue.

***Business-type Activities***

Revenues of the Town's business-type activities (see Table 2) increased by 24 % (\$288,631 in 2006 compared to \$232,295 in 2005) and expenses increased by 32 percent (\$228,696 in 2006 compared to \$173,141 in 2005). The factors driving these results include:

The Town sewer system saw its operating revenues increase 24 % or \$56,336, and operating expenses increased 32 % or \$55,555 due to an increase in sewer billing costs.

**THE TOWN'S FUNDS**

As the Town completed the year, its governmental funds reported a combined fund deficit of \$(155,445) which is an increase of \$135,952 in fund balance from last year. A prior year adjustment of \$34,561 was made to accounts payable for payables which were paid in prior years to bring last year's fund balance to \$(291,397).

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Budgeted revenues exceeded actual revenues by \$452,931. Several revenues reflected significant variances from the budget but the largest overall variance was for video bingo revenue which was budgeted but not received until after the end of the fiscal year.

**CAPITAL ASSET**

***Capital Assets*** At June 30, the Town had invested in the following capital assets; net of accumulated depreciation:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 95,000	\$ 95,000	\$ 0	\$ 0	\$ 95,000	\$ 95,000
Buildings	59,200	0	0	0	59,200	0
Sewer System	0	0	748,909	785,648	748,909	785,648
Furniture and equipment	33,014	42,229	0	0	33,014	42,229
Vehicles	16,025	20,999	0	0	16,025	20,999
Totals	<u>\$203,239</u>	<u>\$158,228</u>	<u>\$748,909</u>	<u>\$785,648</u>	<u>\$952,148</u>	<u>\$943,876</u>

**DEBT ADMINISTRATION** At June 30, 2006, the Town had \$361,244 in bonds payable outstanding and \$12,489 in capital leases payable. More information is presented on long-term debt in Note 9 of the Notes to the Basic Financial Statements.

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**Town of Richwood**  
**Management's Discussion and Analysis (MD&A)**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS** Our elected and appointed officials and citizens consider many factors when setting the Town's budget and tax rates. One of the most important factors affecting the budget is our sales and property tax collections. Approximately, 35% of total revenues in the general fund is sales and franchise tax. We have budgeted very little change in sales and ad valorem tax revenues for the year ending June 30, 2007. The Town has begun receiving revenue from video bingo which is anticipated to improve the Town's economic condition.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT** Our financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Charissa A. Holmes, Clerk, at the Town of Richwood, 5130 Brown Road, Richwood, Louisiana 71202-7004, telephone number (318) 322-2104.

**BASIC FINANCIAL STATEMENTS:**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS (GWFS)**

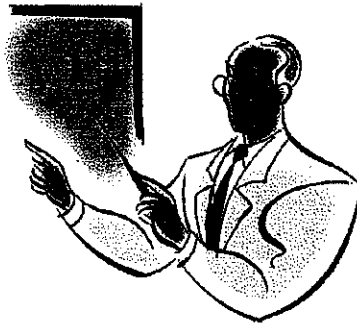
**TOWN OF RICHWOOD**  
**STATEMENT OF NET ASSETS**  
June 30, 2006

Statement A

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	18,830	1,214	20,044
Receivables (net)	28,234	14,701	42,935
Internal balances	(2,406)	2,406	0
Capital assets, net	<u>203,239</u>	<u>748,909</u>	<u>952,148</u>
<b>TOTAL ASSETS</b>	<u>247,897</u>	<u>767,230</u>	<u>1,015,127</u>
<b>LIABILITIES</b>			
Cash overdraft	31,564	0	31,564
Accounts, salaries and other payables	95,004	508,972	603,976
Accrued liabilities	73,535	0	73,535
Long term liabilities			
Due within one year	32,489	17,098	49,587
Due in more than one year	<u>130,000</u>	<u>194,146</u>	<u>324,146</u>
<b>TOTAL LIABILITIES</b>	<u>362,592</u>	<u>720,216</u>	<u>1,082,808</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	190,750	537,665	728,415
Unrestricted	<u>(305,445)</u>	<u>(490,651)</u>	<u>(796,096)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ (114,695)</u>	<u>\$ 47,014</u>	<u>\$ (67,681)</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

## Town of Richwood





**TOWN OF RICHWOOD**

**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2006

FUNCTIONS/PROGRAMS	PROGRAM REVENUES		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
<b>Governmental Activities:</b>			
General and administrative	\$ 457,684	\$ 0	\$ 0
Police Department	322,801	0	0
Health and welfare	57,260		67,260
Interest expense	14,194		
Total Governmental Activities	851,939	0	67,260
<b>Business-Type Activities:</b>			
Utility Enterprise	228,696	288,631	0
Total Business-Type Activities	228,696	288,631	0
Total	\$ 1,080,635	\$ 288,631	\$ 67,260

General revenues:

Taxes:

Property taxes, levied for general purposes

Sales tax revenue

State revenue

Beer tax

Franchise tax

Licenses and permits

Sewer, garbage and other fees

Fines and forfeitures

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets - beginning, as originally stated

Prior period adjustment

Net assets - beginning, as restated

Net assets - ending

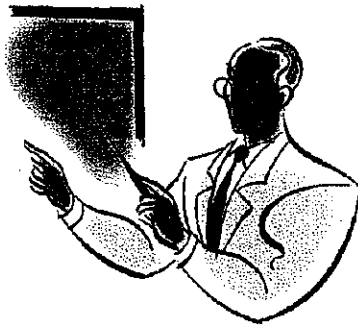
THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

## Statement B

PRIMARY GOVERNMENTNET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>TOTAL</u>
\$ (457,684)	\$ 0	\$ (457,684)
(322,801)		(322,801)
10,000		10,000
(14,194)		(14,194)
(784,679)	0	(784,679)
	59,935	59,935
	59,935	59,935
(784,679)	59,935	(724,744)
50,789		50,789
167,899		167,899
225,739		225,739
6,326		6,326
16,712		16,712
40,696		40,696
121,583		121,583
73,278		73,278
25,394		25,394
93,565	(93,565)	0
821,981	(93,565)	728,416
37,302	(33,630)	3,672
(186,558)	80,644	(105,914)
34,561	0	34,561
(151,997)	80,644	(71,353)
\$ (114,695)	\$ 47,014	\$ (67,681)

## Town of Richwood



**BASIC FINANCIAL STATEMENTS:**  
**FUND FINANCIAL STATEMENTS (FFS)**

**TOWN OF RICHWOOD**  
**GOVERNMENTAL FUNDS**  
**Balance Sheet**  
**June 30, 2008**

	<u>GENERAL</u>	<u>SUMMER FEEDING</u>	<u>MAINTENANCE</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 0	\$ 17,756	\$ 79
Receivables	28,234	0	0
Interfund receivables	<u>28,889</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u>57,123</u>	<u>17,756</u>	<u>79</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Cash overdraft	31,564	0	0
Accounts, salaries and other payables	137,024	8,789	22,633
Interfund payables	<u>10,438</u>	<u>18,359</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	179,026	27,148	22,633
<b>FUND BALANCES:</b>			
Unreserved and undesignated	<u>(121,903)</u>	<u>(9,392)</u>	<u>(22,554)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 57,123</u>	<u>\$ 17,756</u>	<u>\$ 79</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Statement C

OTHER			
GOVERNMENTAL		TOTAL	
\$	995	\$	18,830
	0		28,234
	501		29,390
	1,496		76,454

	0		31,564
	93		168,539
	2,999		31,796
	3,092		231,899
	(1,596)		(155,445)
\$	1,496	\$	76,454

## Town of Richwood



**TOWN OF RICHWOOD**

**Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Assets  
June 30, 2006**

**Statement D**

Total fund balances - governmental funds \$ (155,445)

The cost of capital assets (land, buildings, furniture and equipment and infrastructure ) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the Town as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Costs of capital assets	329,162	
Depreciation expense to date	<u>(125,923)</u>	
		203,239

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long term - are reported in the Statement of Net Assets.

Balances at June 30, 2006 are:

Long-term liabilities

Leases payable

Bonds payable

12,489	
<u>150,000</u>	
	<u>(162,489)</u>

Net Assets \$ (114,695)

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**TOWN OF RICHWOOD**  
**GOVERNMENTAL FUNDS**  
**Combined Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**For the Year Ended June 30, 2006**

	<u>GENERAL</u>	<u>SUMMER FEEDING</u>	<u>MAINTENANCE</u>
<b>REVENUES</b>			
Local sources:			
Sales taxes	\$ 167,899	\$ 0	\$ 0
Property taxes	50,789	0	0
Beer Tax	6,326	0	0
Franchise taxes	16,712	0	0
Licenses and permits	40,696	0	0
Garbage and other fees	121,583	0	0
Intergovernmental revenues	125,090	67,260	100,649
Fines and forfeitures	73,278	0	0
Miscellaneous revenues	24,147	0	1,247
	<u>626,520</u>	<u>67,260</u>	<u>101,896</u>
Total revenues			
<b>EXPENDITURES</b>			
Current:			
General and administrative	412,849	0	36,526
Police Department	316,833	0	0
Health and welfare	0	57,164	0
Debt service:			
Principal retirement	6,339	0	0
Interest and bank charges	14,194	0	0
Capital outlay	0	0	59,200
	<u>750,215</u>	<u>57,164</u>	<u>95,726</u>
Total expenditures			
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	<u>(123,695)</u>	<u>10,096</u>	<u>6,170</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	147,049	0	0
Transfers out	(25,587)	0	(27,897)
Bond proceeds	150,000	0	0
	<u>150,000</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	\$ 271,462	\$ 0	\$ (27,897)

Statement E

	OTHER	
	GOVERNMENTAL	TOTAL

\$	0	\$ 167,899
	0	\$ 50,789
	0	6,326
	0	16,712
	0	40,696
	0	121,583
	0	292,999
	0	73,278
	0	<u>25,394</u>
	0	<u>795,676</u>

88	449,463
0	316,833
96	57,260

0	6,339
0	14,194
0	<u>59,200</u>

<u>184</u>	<u>903,289</u>
------------	----------------

<u>(184)</u>	<u>(107,613)</u>
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0	147,049
0	(53,484)
0	<u>150,000</u>

\$	0	\$ <u>243,565</u>
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(Continued)

TOWN OF RICHWOOD

GOVERNMENTAL FUNDS  
Combined Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
For the Year Ended June 30, 2006

	<u>GENERAL</u>	<u>SUMMER FEEDING</u>	<u>MAINTENANCE</u>
NET CHANGE IN FUND BALANCES	\$ 147,767	\$ 10,098	\$ (21,727)
FUND BALANCES - BEGINNING, AS ORIGINALLY STATED	(287,191)	(36,528)	(827)
PRIOR PERIOD ADJUSTMENT	17,521	17,040	0
FUND BALANCES - BEGINNING, AS RESTATED	(269,670)	(19,488)	(827)
FUND BALANCES - ENDING	\$ (121,903)	\$ (9,392)	\$ (22,554)

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Statement E

OTHER GOVERNMENTAL	TOTAL
\$ (184)	\$ 135,952
(1,412)	(325,958)
0	34,581
(1,412)	(291,397)
\$ (1,596)	\$ (155,445)

(Concluded)

**TOWN OF RICHWOOD**

**Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
For the Year Ended June 30, 2006**

**Statement F**

Total net change in fund balances - governmental funds \$ 135,952

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period:

Capital outlays	\$59,200	
Depreciation	(14,189)	45,011

Bonds proceeds are reported as other financing sources in the governmental funds.

However, in Statement of Assets, bond proceeds are recorded as a liability. (150,000)

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

6,339

Change in net assets of governmental activities.

\$ 37,302

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**TOWN OF RICHWOOD**  
**GENERAL FUND**  
**Budgetary Comparison Schedule**  
For the Year Ended June 30, 2006

Statement G

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGETARY FUND BALANCES, Beginning	\$ (269,670)	\$ (269,670)	\$ (269,670)	0
Resources (Inflows)				
Local sources:				
Video bingo	0	337,500	0	(337,500)
Sales Tax	175,000	175,000	167,899	(7,101)
Property Tax	52,000	52,000	50,789	(1,211)
Beer Tax	0	0	6,326	6,326
Franchise taxes	50,000	50,000	16,712	(33,288)
Licenses and permits	65,000	65,000	40,696	(24,304)
Sewer, garbage, and other fees	217,000	217,000	121,583	(95,417)
Intergovernmental revenues	0	0	125,090	125,090
Fines and forfeitures	100,000	100,000	73,278	(26,722)
Miscellaneous revenues	20,000	20,000	24,147	4,147
Transfers from other funds	210,000	210,000	147,049	(62,951)
Amounts available for appropriations	619,330	956,830	503,899	(452,931)
Charges to appropriations (outflows)				
Current:				
General and administrative	476,500	476,500	412,849	63,651
Police Department	325,000	325,000	316,833	8,167
Debt service:				
Principal retirement	0	0	6,339	(6,339)
Interest and bank charges	0	0	14,194	(14,194)
Transfers	0	0	25,587	(25,587)
Total charges to appropriations	801,500	801,500	775,802	25,698
BUDGETARY FUND BALANCES, ENDING	\$ (182,170)	\$ 155,330	\$ (271,903)	(427,233)

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**TOWN OF RICHWOOD**  
**PROPRIETARY FUND - SEWER ENTERPRISE FUND**  
*Statement of Net Assets*  
June 30, 2006

**Statement H**

**ASSETS**

**Current Assets:**

Cash	\$ 1,214
Receivables	14,701
Interfund receivables	<u>9,937</u>
<b>Total Current Assets</b>	<u>25,852</u>

**Non Current Assets:**

Capital assets, net	<u>748,909</u>
<b>Total Noncurrent Assets</b>	<u>748,909</u>

<b>TOTAL ASSETS</b>	<u>774,761</u>
---------------------	----------------

**LIABILITIES**

**Current Liabilities:**

Accounts, salaries and other payables	508,972
Interfund payables	7,531
Bonds payable	<u>17,098</u>
<b>Total Current Liabilities</b>	533,601

**Noncurrent Liabilities**

Bonds payable	<u>194,146</u>
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<b>TOTAL LIABILITIES</b>	<u>727,747</u>
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**NET ASSETS**

Invested in capital assets, net of related debt	537,665
Unrestricted	<u>(490,651)</u>

<b>TOTAL NET ASSETS</b>	<u>\$ 47,014</u>
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THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**TOWN OF RICHWOOD**  
**PROPRIETARY FUND - SEWER ENTERPRISE FUND**  
**Statement of Revenues, Expenses,**  
**and Changes in Net Assets**  
**For the Year Ended June 30, 2006**

Statement I

<b>OPERATING REVENUES</b>	
Fees	\$ 192,251
Miscellaneous	<u>96,380</u>
<b>TOTAL OPERATING REVENUES</b>	<u>288,631</u>
<b>OPERATING EXPENSES</b>	
Purchase of services	179,087
Depreciation	<u>36,739</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>215,826</u>
Income (loss) before non-operating income (expenses)	72,805
<b>NON-OPERATING INCOME (EXPENSES)</b>	
Interest expense	<u>(12,870)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>59,935</u>
<b>TRANSFERS IN/OUT</b>	
Transfers in	28,535
Transfers out	<u>(122,100)</u>
<b>Total transfers in/out</b>	<u>(93,565)</u>
<b>CHANGE IN NET ASSETS</b>	(33,630)
<b>NET ASSETS, BEGINNING</b>	<u>80,644</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 47,014</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**TOWN OF RICHWOOD**  
**PROPRIETARY FUND - SEWER ENTERPRISE FUND**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2006**

**Statement J**

**CASH FLOW FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 195,075
Payments to employees	0
Payments to others	(167,973)
Other receipts	<u>96,381</u>
Net cash provided (used) for operating activities	<u>123,483</u>

**CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:**

Transfers in	28,535
Transfers out	<u>(122,100)</u>
Net cash provided (used) for noncapital financing activities	<u>(93,565)</u>

**CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Acquisition of capital assets	0
Interest paid on bonds	(12,870)
Principal paid on bonds	<u>(16,041)</u>
Net cash provided (used) for capital and related financing activities	<u>(28,911)</u>

Net increase (decrease) in cash and cash equivalents	1,007
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CASH AND CASH EQUIVALENTS - BEGINNING	<u>207</u>
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CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,214</u>
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**Reconciliation of operating income (loss) to net cash provided (used) by operating activities:**

Operating income (loss)	\$ 72,805
Adjustments to reconcile operating income to net cash provided (used) for operating activities:	
Depreciation	36,739
(Increase) decrease in accounts receivable	2,824
Increase (decrease) in interfund receivables	1
Increase (decrease) in accounts payable	11,114
Increase (decrease) in interfund payables	<u>0</u>

Net cash provided (used) by operating activities	<u>\$ 123,483</u>
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THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**Town of Richwood**  
**Notes to the Basic Financial Statements**

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**Town of Richwood**  
**Notes to the Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** The accompanying financial statements of the Town of Richwood have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. REPORTING ENTITY** The Town of Richwood, Louisiana is located in the southern portion of Ouachita Parish in Northeast Louisiana. The Town was incorporated December 31, 1974 under the provisions of Louisiana Revised Statutes 33:52. The Town operates under a form of government consisting of an elected mayor and a board of alder persons, which has five elected members. The Town provides garbage collection, street maintenance, drainage maintenance, and other health and welfare services, in addition to the administrative services provided to its residents.

As the municipal governing authority, for reporting purposes, the Town of Richwood is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Town of Richwood for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the municipality to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization were not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, these financial statements present the Town of Richwood (the primary government). The Town of Richwood has no component units.

Considered in the determination of component units of the reporting entity were the Ouachita Parish Police Jury, Sheriff, Clerk of Court, Assessor, and School Board and the District Attorney and Judges for Ouachita Parish. It was determined that these governmental entities are not component units of the Town of Richwood's reporting entity because they have separately elected governing bodies, are legally separate, and are fiscally independent of the Town of Richwood.

**B. FUNDS** The Town uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

**Town of Richwood**  
**Notes to the Basic Financial Statements**

A fund is a separate accounting entity with a self-balancing set of accounts. The funds used by the Town of Richwood are grouped into two broad fund types and three generic funds as follows:

**Governmental Funds** are used to account for the program and activities of the governmental functions of the Town.

**General fund** – serves as the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

**Summer Feeding** – accounts for the operations of providing breakfast and lunch to lower income children during the summer months. Financing is provided by a federal grant.

**Maintenance** – accounts for repairs and maintenance of tractors, police cars, and equipment.

**Proprietary Funds** - are used to account for ongoing organizations and activities that are similar to those found in the private sector.

**Enterprise funds** – are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including amortization and depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The proprietary fund of the Town is the sewer fund which accounts for the operations of the sewage system.

Activities accounted for in the Town's proprietary fund follow all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989.

### **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

**Government-Wide Financial Statements (GWFS)** The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities was prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions." When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the town's policy to first apply restricted resources.

**Program revenues** Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Allocation of indirect expenses** The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**Town of Richwood**  
**Notes to the Basic Financial Statements**

**Fund Financial Statements (FFS)**

**Governmental Funds** The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in a governmental fund only if the claims are due and payable.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

**Revenues**

**Ad valorem taxes** are recognized when all applicable eligibility requirements are met and the resources are available.

**Sales taxes** are recognized when the underlying exchange transaction occurs and the resources are available.

**Entitlements and shared revenues** are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

**Other receipts** become measurable and available when cash is received by the Town and are recognized as revenue at that time.

**Expenditures**

**Salaries** are recorded as paid.

**Other Financing Sources (Uses)** Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, et cetera) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

**Operating Revenues and Expenses** Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Town of Richwood**  
**Notes to the Basic Financial Statements**

**D. BUDGET** The Town adopted a budget for the fiscal year ended June 30, 2006 for the general fund. The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the June meeting, the Town Clerk submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. During the June meeting, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The Town Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the Board of Aldermen. Appropriations lapse at the end of the year. There was one amendment to the original budget.

**E. ENCUMBRANCES** Accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town of Richwood.

**F. CASH AND CASH EQUIVALENTS** Cash includes amounts in demand deposits, interest bearing demand deposits and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, or time deposit accounts with state banks organized under Louisiana law and any other of the United States of America, or under the laws of the United States of America.

Under state law, the Town may also invest in U. S. Government bonds, treasury notes, or certificates. Those with maturities of 90 days or less would be classified as cash equivalents and all others reported as investments.

**G. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES** During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the fund financial statements balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

**H. ELIMINATION AND RECLASSIFICATIONS** In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

**I. SALES TAX** The Town was authorized in 1986 to levy a 2 percent sales base tax for the purpose of providing funds for any lawful corporate purpose.

**J. CAPITAL ASSETS** Capital assets are recorded at either historical cost or estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization threshold for equipment is \$500. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings	20 years
Computers and computer equipment	5 years
Furniture and equipment	10 years
Vehicles	7 years

**Town of Richwood**  
**Notes to the Basic Financial Statements**

**K. COMPENSATED ABSENCES** Accumulated vacation, sick pay and other employee benefits and pensions are not material and therefore not accrued.

**L. RESTRICTED NET ASSETS** For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, the unrestricted resources as they are needed.

**M. FUND BALANCES OF FUND FINANCIAL STATEMENTS** Reservations of fund balance represent amounts that are not appropriable for expenditures or legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**N. INTERFUND ACTIVITY** Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/ expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers of the primary government are reported as operating transfers.

Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statement.

**O. USE OF ESTIMATES** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Town of Richwood**  
**Notes to the Basic Financial Statements**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Deficit Fund Balances** The following funds had deficit fund balances at June 30, 2006:

	<u>Deficit</u>
Major Funds	
General fund	\$121,903
Summer Feeding	9,392
Maintenance	22,554
Non Major Funds	
LCDGB	1,766
Project RAP	93

The Town is working on a plan to address these deficits.

The General Fund's budgeted revenues exceeded actual revenues by \$452,931.

**NOTE 3 - BUDGET TO GAAP RECONCILIATION**

Sources/inflows of resources:

	<u>General</u>
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule-Statement G	\$ 503,899
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	269,670
Transfers from other funds and proceeds from capital leases are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(147,049)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds-Statement E	<u>\$ 626,520</u>

Charges to appropriations/outflows

Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule-Statement G	\$ 775,802
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(25,587)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds-Statement E	<u>\$ 750,215</u>

Special revenue funds, which includes Summer Feeding, Maintenance, Share Grant, LCDBG, and Project Rap are not legally required to adopt a budget unless, as stated in Louisiana Revised Statue 39:1303, proposed expenditures exceed five hundred thousand dollars.



**Town of Richwood**  
**Notes to the Basic Financial Statements**

**NOTE 4 - CASH AND CASH EQUIVALENTS** At June 30, 2006, the Town had deposits of \$20,044 and a cash overdraft of \$31,564.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The Town has deposit balances (collected bank balances) of \$10,180 at June 30, 2006. These deposits are secured from risk by \$10,180 of federal deposit insurance (GASB Risk Category 1). The Town does not have an investment policy.

**NOTE 5 - RECEIVABLES** The following is a summary of receivables at June 30, 2006:

<u>Accounts &amp; Accrued Receivables</u>	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Sales Tax	\$ 27,232	\$ 0	\$ 27,232
Franchise Fees	849	0	849
User Fees	0	14,701	14,701
Due from other Governmental Units			
Other	153	0	153
Total	<u>\$ 28,234</u>	<u>\$ 14,701</u>	<u>\$ 42,935</u>

No allowance for doubtful accounts has been established as the Town expects to collect the full balance.

**NOTE 6 - INTERFUND RECEIVABLES/PAYABLES** Interfund receivables and payables include the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Summer Feeding	\$ 18,359
	Other Governmental	2,999
	Sewer Fund	7,531
Sewer Fund	General Fund	9,937
Other Governmental	General Fund	501
Total		<u>\$ 39,327</u>

The purpose of the interfund receivables/payables was to pay a bill which was actually to be paid by the general fund. Interfund transfers are normally transfers from the sewer fund to the general fund to cover operations of the general fund.

<u>Transfers In</u>	<u>Transfers Out</u>	
General	Maintenance	\$ 24,949
	Sewer	122,100
Sewer Fund	Maintenance	2,948
	General Fund	25,587
Totals		<u>\$ 175,584</u>

**Town of Richwood**  
**Notes to the Basic Financial Statements**

**NOTE 7 - CAPITAL ASSETS** A schedule of changes in capital assets for the year ended June 30, 2006, follows:

	Balance Beginning	Additions	Deletions	Balance Ending
<b>Governmental activities:</b>				
Cost				
Land	\$ 95,000	\$ 0	\$ 0	\$ 95,000
Construction in progress	0	59,200	59,200	0
Exhaustible capital assets				
Buildings	0	59,200	0	59,200
Furniture & equipment	113,159	0	500	112,659
Vehicles	62,303	0	0	62,303
Total capital assets	<u>270,462</u>	<u>118,400</u>	<u>59,700</u>	<u>329,162</u>
Accumulated Depreciation				
Buildings	0	0	0	0
Furniture & equipment	70,930	9,215	500	79,645
Vehicles	41,304	4,974	0	46,278
	<u>112,234</u>	<u>14,189</u>	<u>500</u>	<u>125,923</u>
Capital assets, net	<u>\$ 158,228</u>	<u>\$ 104,211</u>	<u>\$ 59,200</u>	<u>\$ 203,239</u>

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 8,221
Police department	<u>5,968</u>
Total	<u>\$14,189</u>

	Balance Beginning	Additions	Deletions	Balance Ending
<b>Business Type Activities:</b>				
Cost				
Exhaustible capital assets				
Furniture & equipment (Sewer System)	\$ 1,469,547	\$ 0	\$ 0	1,469,547
	<u>1,469,547</u>	<u>0</u>	<u>0</u>	<u>1,469,547</u>
Accumulated Depreciation				
Furniture & equipment (Sewer System)	683,899	36,739	0	720,638
	<u>683,899</u>	<u>36,739</u>	<u>0</u>	<u>720,638</u>
Capital assets, net	<u>\$ 785,648</u>	<u>\$ (36,739)</u>	<u>\$ 0</u>	<u>\$ 748,909</u>

**Town of Richwood**  
**Notes to the Basic Financial Statements**

**NOTE 8 - ACCOUNTS, SALARIES, AND OTHER PAYABLES** The payables at June 30, 2006, are as follows:

	General	Summer Feeding	Maintenance	Other Governmental	Enterprise	Total
Accounts Payable	\$ 65,563	\$ 8,045	\$ 21,308	\$ 88	\$ 508,972	\$603,976
Payroll Liabilities	71,461	744	1,325	5	0	73,535
Total	<u>\$ 137,024</u>	<u>\$ 8,789</u>	<u>\$ 22,633</u>	<u>\$ 93</u>	<u>\$ 508,972</u>	<u>\$677,511</u>

**NOTE 9 - LONG-TERM LIABILITIES** The following is a summary of the long-term obligation transactions for the year ended June 30, 2006:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One year
<b>Governmental Activities</b>					
Capital leases	\$ 18,828	\$ 0	\$ 6,339	\$ 12,489	\$ 12,489
Certificate of Indebtedness	0	150,000	0	150,000	20,000
Total Governmental activities	<u>18,828</u>	<u>150,000</u>	<u>6,339</u>	<u>162,489</u>	<u>32,489</u>
<b>Business-type activities</b>					
Bonds payable	227,285	0	16,041	211,244	17,098
Total business-type activities	<u>227,285</u>	<u>0</u>	<u>16,041</u>	<u>211,244</u>	<u>17,098</u>
Total long-term liabilities	<u>\$ 246,113</u>	<u>\$ 150,000</u>	<u>\$ 22,380</u>	<u>\$ 373,733</u>	<u>\$ 49,587</u>

The individual issues are as follows:

<u>Bond Issue</u>	<u>Issue Date</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Payment Due</u>	<u>Interest to Maturity</u>	<u>Principal Outstanding</u>
Town of Richwood Sewer Revenue Bond Certificate of Indebtedness, Series 2005	08/07/2000	\$290,000	6.40%	10/01/2015	\$76,385	\$211,244
	07/01/2005	\$150,000	6.00%	06/01/2015	\$45,300	\$150,000

In July, 2005, the Town issued Certificate of Indebtedness, Series 2005 in the amount of \$150,000 for the sole purpose of extinguishing a debt with the Internal Revenue Service for prior year payroll liabilities. The sewer revenue bonds are paid by the sewer enterprise fund. The general fund will pay the certificate of indebtedness.

**Town of Richwood**  
**Notes to the Basic Financial Statements**

The annual requirements to amortize all bonds outstanding at June 30, 2006 are as follows:

<u>Governmental Funds</u>				<u>Enterprise Fund</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 20,000	\$ 8,400	\$ 28,400	\$ 17,098	\$13,026	\$ 30,124
2008	15,000	7,800	22,800	18,225	11,899	30,124
2009	15,000	6,900	21,900	19,427	10,697	30,124
2010	15,000	6,000	21,000	20,727	9,397	30,124
2011	15,000	5,100	20,100	22,072	8,052	30,124
2012-2015	<u>70,000</u>	<u>11,100</u>	<u>81,100</u>	<u>113,695</u>	<u>23,314</u>	<u>137,009</u>
Total	<u>\$150,000</u>	<u>\$45,300</u>	<u>\$195,300</u>	<u>\$211,244</u>	<u>\$76,385</u>	<u>\$287,629</u>

The Town records items under capital leases as an asset and an obligation in the accompanying financial statements. The following is an analysis of capital leases:

<u>Type</u>	<u>Lease Date</u>	<u>Amount</u>
2001 Ford Crown Victoria	June 18, 2001	\$25,126

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of June 30, 2006:

	<u>Vehicle</u>
Fiscal year:	
2007	\$17,029
Less amount representing executory costs	<u>0</u>
Net minimum lease payments	17,029
Less amounts representing interest	<u>4,540</u>
Present value of net minimum lease payments	<u>\$12,489</u>

**NOTE 10 - LITIGATION AND CLAIMS** The Town of Richwood is involved in litigation at June 30, 2006.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time though the Town expects such amounts, if any, to be immaterial.

The Town owes \$73,401 to the Department of Labor and is included in the financial statements of the general fund. During the year ended June 30, 2006, the Town issued certificate of indebtedness in the amount of \$150,000 for the sole purpose of extinguishing the tax liability it owed to the IRS.

The Town is seriously delinquent on the vehicle lease with ComVest, Ltd., Inc. at June 30, 2006. In February, 2007, the Town entered into an agreement with ComVest to pay \$13,904 with \$2,633 being written off by ComVest.

Also, the principal amount due of \$10,000 for Certificate of Indebtedness, Series 2005 was not paid until October, 2006, not on the due date of June 1, 2006.

**Town of Richwood**  
**Notes to the Basic Financial Statements**

**NOTE 11 - RISK MANAGEMENT** The Town is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

**NOTE 12 - LEVIED TAXES** The Town levies taxes on real and business personal property located within the Town's boundaries. Property taxes are levied by the Town on property values assessed by the Ouachita Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

Property Tax Calendar

Millage rates adopted	September 15, 2005
Levy date	January 1, 2005
Tax bills mailed	November 16, 2005
Due date	December 31, 2005
Lien date	January 1, 2006

Assessed values are established by the Ouachita Parish Tax Assessor each year on a uniform basis at the following ratios of assessed value to fair market value.

10% land	15% machinery
10% residential improvements	15% commercial improvements
15% industrial improvements	25% public service properties, excluding land

A revaluation of all property is required after 1978 to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2004. Total taxable value was \$3,342,901 in calendar year 2005.

State law requires the Town to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of 1.00% per month until the taxes are paid.

The calendar-year tax roll is prepared by the tax assessor and approved by the State Tax Commission in November of each year. The amount of property taxes to be collected occurs in December, and January and February 2006. All property taxes are recorded in the general fund. The Town considers the date penalty and interest accrues (January 1, 2006) as the date an enforceable legal claim occurs for property taxes. Property tax revenue is recognized in the period for which the taxes are levied (budgeted). Accordingly, the property taxes for calendar year 2005 are budgeted in the 2005-2006 fiscal year of the Town.

Estimated uncollectible taxes are those taxes based on past experience which will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll. Historically, virtually all ad valorem taxes receivable were collected since they are secured by property. Therefore, there is no allowance for uncollectible taxes.

**NOTE 13 - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES**

On-behalf payments for fringe benefits and salaries are direct payments made by an entity, (the paying agent) to a third-party recipient for the employees of another legally separate entity. (the employer entity). GASB Statement No. 24 requires employer governments to recognize revenue and expenditures or expenses for these on-behalf payments.

**Town of Richwood**  
**Notes to the Basic Financial Statements**

The State of Louisiana made contributions (regarding Supplemental Pay for Police Officers) directly to employees of the Town of Richwood on behalf of the Town in the amount of \$25,090. This amount was recognized as state revenue with a corresponding expenditure in the applicable fund from which the salary was paid.

**NOTE 14 - PRIOR PERIOD ADJUSTMENT** A prior period adjustment was made to accounts payable in the General Fund and the Summer Feeding Fund for payables which were paid in prior years in the amount of \$17,521 and \$17,040, respectively.

**NOTE 15 - SUBSEQUENT EVENTS** In October, 2006, the Town began earning revenue from video bingo.

**Town of Richwood  
Special Revenue Funds**

**Share Grant** – The Share Grant Program accounts for funds received through the Louisiana Housing Finance Agency which provides aid to low income families to bring residents houses up to housing quality standard (HQS).

**LCDBG** – The LCDBG Fund is designed to assist and improve housing conditions for citizens of Richwood who would otherwise be financially unable to secure their own sources of funding to remodel or build a new house. The program also assists in the effort of the Town of Richwood to stabilize and revitalize the area. Financing is provided by a grant from the United States Department of Housing and Urban Development through the Louisiana Division of Administration.

**Project RAP** – This is a TANF Program for teen pregnancy prevention.

**TOWN OF RICHWOOD**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Combining Balance Sheet**  
**June 30, 2006**

Schedule 1

	SHARE GRANT	LCDBG	PROJECT RAP	TOTALS
<b>ASSETS</b>				
Cash and cash equivalents	\$ 263	\$ 732	\$ 0	\$ 995
Interfund receivables	0	501	0	501
<b>TOTAL ASSETS</b>	<u>263</u>	<u>1,233</u>	<u>0</u>	<u>1,496</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts, salaries and other payables	0	0	93	93
Interfund payables	0	2,999	0	2,999
<b>Total liabilities</b>	<u>0</u>	<u>2,999</u>	<u>93</u>	<u>3,092</u>
<b>Fund Balances (Deficit)</b>				
Unreserved and undesignated	263	(1,766)	(93)	(1,596)
<b>Total Fund Balances</b>	<u>263</u>	<u>(1,766)</u>	<u>(93)</u>	<u>(1,596)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 263</u>	<u>\$ 1,233</u>	<u>\$ 0</u>	<u>\$ 1,496</u>



**TOWN OF RICHWOOD**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances (Deficit)**  
**For the Year Ended June 30, 2006**

Schedule 2

	SHARE GRANT	LCDBG	PROJECT RAP	TOTALS
<b>REVENUES</b>				
Local sources:				
Intergovernmental revenues	\$ 0	\$ 0	\$ 0	\$ 0
Other	0	0	0	0
Total revenues	0	0	0	0
<b>EXPENDITURES</b>				
Current:				
General and administrative	0	0	88	88
Health and welfare	96	0	0	96
Debt service:				
Principal retirement	0	0	0	0
Interest and bank charges	0	0	0	0
Total expenditures	96	0	88	184
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	(96)	0	(88)	(184)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	0	0	0	0
Transfers out	0	0	0	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	0	0	0	0
<b>EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(96)	0	(88)	(184)
<b>FUND BALANCES (Deficit)</b>				
- BEGINNING	359	(1,766)	(5)	(1,412)
<b>FUND BALANCES (Deficit)</b>				
- ENDING	\$ 263	\$ (1,766)	\$ (93)	\$ (1,596)

**Town of Richwood**

**Schedule of Compensation Paid Mayor and Aldermen  
For the Year Ended June 30, 2006**

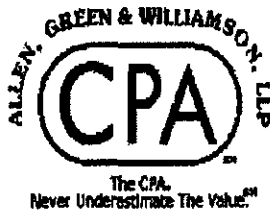
The schedule of compensation paid to the Mayor and Aldermen was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As authorized by Town ordinance, aldermen were paid \$225 per month.

Edward L. Harris, Mayor	\$34,000
Steve B. Hunter, Mayor Pro-Temp	3,550
Simeon Profit, Street Commissioner	3,150
Lavern Hester, Alderman	2,950
Alvin Jackson, Alderman	2,950
Les Kelly, Alderman	<u>2,850</u>
TOTAL	<u>\$49,450</u>

## **Town of Richwood**

### **OTHER REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS**

The first report following this page is a report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards, issued by the Comptroller General of the United States of America. The section of the report on compliance is based solely on the audit of the financial statements and presents, where applicable, compliance matters that would be material to the financial statements. The section of the report on internal control over financial reporting is, likewise, based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses.



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### **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

Honorable Edward L. Harris, Mayor  
and Members of the Board of Aldermen  
Town of Richwood  
Richwood, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Richwood, (the Town) as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06-F1, 06-F2, and 06-F5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under Government Auditing Standards which are described in accompanying Schedule of Findings and Questioned Costs as items 06-F3, 06-F4, and 06-F6.

This report is intended solely for the information and use of the Aldermen, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*allen, green + williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

February 27, 2007

**Town of Richwood**  
**Schedule of Findings and Questioned Costs**  
**As of and For the Year Ended June 30, 2006**

**PART II -Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

**Reference # and title**      **06-F1**      **Payroll Expenses**

**Entity-wide or program/department specific:** This finding is specific to payroll.

**Criteria or specific requirement:** All employees should have an I-9 in their personnel file. Time cards/sheets should be signed by the employee. Time calculations should be reviewed for correctness.

**Condition found:** The following was noted from a test of 40 payroll disbursements:

- 4 personnel files did not contain an I-9.
- 9 time cards/sheets were not signed by the employee.
- 4 salary calculations did not agree with documentation.

**Possible asserted effect (cause and effect):**

**Cause:** Unknown

**Effect:** Some personnel files did not have an I-9. Some time cards/sheets were not signed by the employee. Calculations for salary did not agree to documentation provided for 4 checks.

**Recommendations to prevent future occurrences:** The Town should ensure that all employees complete an I-9 for personnel file, that all employees sign time cards/sheets, and also, should review salary computations to ensure agreement with documentation.

**Reference # and title:**      **06-F2**      **Vendor Expenses**

**Criteria or specific requirement:** Purchase orders should be used according to the Town's purchasing policy. The Town should not pay sales tax on purchases. Invoices should be paid on a timely basis. A timely basis is considered 30 days after the invoice date, if not noted otherwise on the invoice.

**Condition found:** The following was noted from a test of 33 vendor disbursements:

- Six instances where expenditures were not supported by purchase orders.
- Twelve instances where the date of the check was not current when compared with date of the invoice.
- One instances where sales tax was paid.

**Possible asserted effect (cause and effect):**

**Cause:** Unknown

**Effect:** In the instances noted above, the Town's policy for using purchase orders was not adhered to, sales tax was paid on a purchase made by the Town, and invoices were not paid in a timely manner by the Town.

**Town of Richwood**  
**Schedule of Findings and Questioned Costs**  
**As of and For the Year Ended June 30, 2006**

**PART II -Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

**Recommendations to prevent future occurrences:** All invoices should be paid timely. Sales tax should not be paid on purchases made by the Town. The purchase order policy of the Town should be followed for purchases which require a purchase order.

**Reference # and title**      **06-F3**      **Late Submission of the Audit Report**

**Criteria or specific requirement:** In accordance with LSA-R.S. 24:513 A (5) (a) "Audits should be completed within six months of the close of the entity's fiscal year."

**Condition found:** The audit report was filed with the Legislative Auditor's office after the deadline.

**Possible asserted effect (cause and effect):**

**Cause:** The audit contract was not signed with the Town until September 29, 2006. The delay was caused by the Town's failure to pay the audit fee for last year's audit on a timely basis.

**Effect:** The audit report was not filed timely.

**Recommendations to prevent future occurrences:** The Town should take steps to insure timely payment of the audit fee. The auditor is not independent if the prior year fee has not been paid.

**Reference # and title**      **06-F4**      **Louisiana Local Government Budget Act**

**Entity-wide or program/department specific:** This finding is entity-wide.

**Criteria or specific requirement:** LSA-R.S. 39:1301-1314 states in part that chief executive or administrative officer is to advise the governing authority or independently elected official in writing when total revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more. The budget act also states a public hearing must be held before the adoption of the proposed budget.

**Condition found:** The Town advertised the public hearing on the proposed budget would be June 16, 2005, but the hearing was not actually held until June 23, 2005. Also, the General Fund budgeted revenues exceeded actual revenues by an amount in excess of five percent.

**Possible asserted effect (cause and effect):**

**Cause:** The Town budgeted for video bingo revenues that were not received until after year end.

**Effect:** The Town is in violation of LSA-R.S. 39:1311

**Town of Richwood  
Schedule of Findings and Questioned Costs  
As of and For the Year Ended June 30, 2006**

**PART II -Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

**Recommendations to prevent future occurrences:** The Town should monitor revenues and expenditures and amend budgets as needed. Also, the budget hearing should be held on the date advertised.

**Reference # and title      06-F5      Controls Over Traffic Tickets in the Police Department**

**Criteria or specific requirement:** Good internal controls require records to be maintained to account for the issuance and final disposition of all traffic tickets.

**Condition found:** The following was noted from a test of 25 traffic tickets:

Nine traffic tickets could not be traced to a final disposition. A final disposition includes a payment, reduction, issuance of bench warrant, or arrest.

**Possible asserted effect (cause and effect):**

**Cause:** Unknown

**Effect:** Some traffic tickets are being issued and no action is being taken on these tickets.

**Recommendations to prevent future occurrences:** Record keeping in the Police Department should be improved to ensure that a final disposition is being taken on all issued traffic tickets.

**Reference # and title      06-F6      Bids on Food Purchases for Summer Feeding Program**

**Entity-wide or program/department specific:** This finding is limited to the Summer Feeding Program.

**Criteria or specific requirement:** Louisiana Revised Statute 38:2211-38:2213 requires that bids be received for purchases over \$20,000.

**Condition found:** Bids were not taken on purchase of food in the amount of \$23,334.

**Possible asserted effect (cause and effect):**

**Cause:** The director of the Summer Feeding Program did not take bids on food purchases.

**Effect:** Louisiana Revised Statute was not followed.

**Recommendations to prevent future occurrences:** Reviews should be done to see which purchases need bids or quotes.



## **Town of Richwood**

### **Other Information**

The information in the following section concerns management's actions or intentions concerning prior-and current-year audit finding. This information has been prepared by the management of the Town of Richwood. Management accepts full responsibility for the accuracy of the information. This information has not been audited by the auditors and accordingly no opinion is expressed.

**Town of Richwood  
Summary of Prior-Audit Findings  
As of and For the Year Ended June 30, 2006**

**Reference # and title:      05-F1      Vendor Expenses**

**Condition found:** The following was noted from a test of 30 vendor disbursements:

One check did not have its supporting documentation properly cancelled.  
Two checks were not supported by purchase orders.  
Two checks did not agree to the invoice amount.  
One check did not pay the entire invoice amount.  
Eight checks were not paid timely.

**Corrective action planned:** See corrective action plan for current-year finding 06-F2.

**Reference # and title      05-F2      Payroll Expenses and Contract Labor**

**Condition found:** The following was noted from a test of 30 payroll disbursements:

Two personnel files did not have I-9's in them.

One summer food service worker and workers in the Project RAP program were paid as contract laborers, rather than as employees, which is not in compliance with the Internal Revenue Code concerning employee status.

**Corrective action planned:** See corrective action plan for current-year finding 06-F1.

**Reference # and title      05-F3      Late Submission of the Audit Report**

**Condition found:** The audit report was filed with the Legislative Auditor's office after the deadline.

**Corrective action planned:** See corrective action plan for current-year finding 06-F3.

**Reference # and title      05-F4      Bids and Quotes on Purchases**

**Condition found:** One purchase should have been made after receipt of bids and two purchases should have been made after three written quotes were received.

**Corrective action planned:** See corrective action plan for current-year finding 06-F6.

**Reference # and title      05-F5      Controls Over Traffic Tickets in the Police Department**

**Condition found:** The following was noted from a test of 25 traffic tickets:

Eight traffic tickets could not be traced to a final disposition. A final disposition includes a payment, reduction, issuance of bench warrant, or arrest.

**Corrective action planned:** See corrective action plan for current-year finding 06-F5.

**Town of Richwood  
Summary of Prior-Audit Findings  
As of and For the Year Ended June 30, 2006**

**Reference # and title**      **05-F6**      **Louisiana Local Government and Budget Act**

**Entity-wide or program/department specific:** This finding is entity-wide.

**Condition found:** The Town's budgeted revenues exceeded actual revenues by more than five percent in the general and summer feeding funds. The Town's actual expenditures and other uses exceeded budgeted expenditures and other uses by more than five percent in the general fund.

**Corrective action planned:** See corrective action plan for current-year finding 06-F4.

**Town of Richwood**  
**Corrective Action Plan for Current-Year Findings and Questioned Costs**  
**For the Year Ended June 30, 2006**

**Reference # and title**      **06-F1**      **Payroll Expenses**

**Condition found:** The following was noted from a test of 40 payroll disbursements:

- 4 personnel files did not contain an I-9.
- 9 time cards/sheets were not signed by the employee.
- 4 salary calculations did not agree with documentation.

**Corrective action planned:** In the future, all personnel files will contain I-9's. Time cards will now be signed by each employee and verified by the immediate supervisor and payment of salaries will coincide with stated salaries/wages.

**Person responsible for corrective action:**

Mayor Edward L. Harris	Phone: (318) 322-2104
Town of Richwood	Fax: (318) 323-3254
5130 Brown Road	
Richwood, LA 71202-7004	

**Anticipated completion date:** Immediately.

**Reference # and title:**      **06-F2**      **Vendor Expenses**

**Condition found:** The following was noted from a test of 33 vendor disbursements:

- Six instances where expenditures were not supported by purchase orders.
- Twelve instances where the date of the check was not current when compared with date of the invoice.
- One instances where sales tax was paid.

**Corrective action planned:** In the future, purchase orders will be required for all purchases. Date of checks will be closely monitored in the utilization of the Town's accounting software because the currently used software has to have manual adjustments to properly print check dates for invoices previously entered. Sales tax will no longer be paid on purchases made by the Town.

**Person responsible for corrective action:**

Mayor Edward L. Harris	Phone: (318) 322-2104
Town of Richwood	Fax: (318) 323-3254
5130 Brown Road	
Richwood, LA 71202-7004	

**Anticipated completion date:** Immediately.

**Town of Richwood  
Corrective Action Plan for Current-Year Findings and Questioned Costs  
For the Year Ended June 30, 2006**

**Reference # and title      06-F3      Late Submission of the Audit Report**

**Condition found:** The audit report was filed with the Legislative Auditor's office after the deadline.

**Corrective action planned:** Future audits will be completed and filed with the State Legislative Auditor's office in a timely manner as prescribed by law.

**Person responsible for corrective action:**

Mayor Edward L. Harris	Phone: (318) 322-2104
Town of Richwood	Fax: (318) 323-3254
5130 Brown Road	
Richwood, LA 71202-7004	

**Anticipated completion date:** December 31, 2007.

**Reference # and title      06-F4      Louisiana Local Government Budget Act**

**Condition found:** The Town advertised the public hearing on the proposed budget would be June 16, 2005, but the hearing was not actually held until June 23, 2005. Also, the General Fund's budgeted revenues exceeded actual revenues by an amount in excess of five percent.

**Corrective action planned:** The Town will adhere to all procedures concerning the budget. Public hearings will be held on the date advertised in the future. In addition, the budget, if and when anticipated, will be amended to maintain revenues and expenditures within the 5% variance of budgeted amounts as prescribed by law.

**Person responsible for corrective action:**

Mayor Edward L. Harris	Phone: (318) 322-2104
Town of Richwood	Fax: (318) 323-3254
5130 Brown Road	
Richwood, LA 71202-7004	

**Anticipated completion date:** June 30, 2007.

**Reference # and title      06-F5      Controls Over Traffic Tickets in the Police Department**

**Condition found:** The following was noted from a test of 25 traffic tickets:

Nine traffic tickets could not be traced to a final disposition. A final disposition includes a payment, reduction, issuance of bench warrant, or arrest.

**Corrective action planned:** A reorganization of staffing has taken place to ensure accurate accounting for traffic tickets from initiation to final disposition.

**Town of Richwood**  
**Corrective Action Plan for Current-Year Findings and Questioned Costs**  
**For the Year Ended June 30, 2006**

**Person responsible for corrective action:**

Mayor Edward L. Harris                      Phone: (318) 322-2104  
Town of Richwood                              Fax: (318) 323-3254  
5130 Brown Road  
Richwood, LA 71202-7004

**Anticipated completion date:** Immediately.

**Reference # and title**      **06-F6**      **Bids on Food Purchases for Summer Feeding Program**

**Condition found:** Bids were not taken on purchase of food in the amount of \$23,334.

**Corrective action planned:** The Town will follow legislative bid and procurement procedures for future purchases.

**Person responsible for corrective action:**

Mayor Edward L. Harris                      Phone: (318) 322-2104  
Town of Richwood                              Fax: (318) 323-3254  
5130 Brown Road  
Richwood, LA 71202-7004

**Anticipated completion date:** Immediately.

**Town of Richwood  
Status of Prior Year Management Letter Items  
June 30, 2006**

**05-M1 Town Failed to Prepare and Issue IRS Form 1099**

**Comment:** We reviewed a vendor history and determined that three vendors should have received a 1099. Our testing showed that none of these three vendors received a 1099.

**Management's response:** The Town is making a diligent effort to ensure all persons requiring a 1099 has been issued one.

**05-M2 Information Systems**

**Comment:** The Town performs weekly back-ups of it's computer system that are saved to the computer in the Town Hall. However, the Town is unsure if the back-ups are stored anywhere else other than the Town's computer. The Town needs to research and see where else the back-ups are stored. If they are not stored anywhere else they should look into purchasing a system to do back-ups on a recordable tape or disk. These back-ups should be stored either in a fireproof safe or at a location separate from the Town Hall.

**Management's Response:** The Town now has daily back ups of the computer system information. The back ups are stored with the company who performs the back ups.